

Will Africa embark on sustained growth in this decade?¹

Background Note for the 3rd Session of the U.N. Committee for Development Policy 2-6 April, 2001

March 19, 2001

1. This report summarizes a U.N. Expert Group Meeting held February 21-23, 2001 on the subject “Will Africa embark on sustained growth in this decade?” The meeting was opened at 9:30am on February 21. Dr. Assié-Lumumba was appointed chair and the attached agenda was adopted, after agreement that the bulk of day 1 would be devoted to the prepared papers by Drs. Soludo, Weeks, Guillaumont and Assié-Lumumba.
2. This report is divided into four sections, the first of which summarizes discussions that clarified the overall focus of the meeting. Section 2 summarizes discussions motivated by the papers presented on day 1. Thematic discussions took place on day 2, and these are summarized in Section 3. Section 4 lays out the main conclusions of the meeting. An appendix provides data on Africa’s growth performance 1960-99 and briefly summarizes a set of extant medium- to long-term projections. The latter were neither presented nor discussed at the meeting and are included here as potentially useful complements to the discussion that took place.

Section 1. Focusing the question

3. Will Africa embark on sustained growth in this decade? To ask this question in 2001 is to acknowledge the disappointment of expectations that were widely held in the 1960s. After reasonably robust growth in the 1960s and early 1970s, much of the continent experienced two decades of stagnation or decline. For the Sub-Saharan region, median growth in per capita income for the 1960-99 period was 0.7 percent. North Africa grew more rapidly, at 2.7 percent. Non-African developing countries grew at a median rate of 2.4 percent over this period.
4. Although links of history, trade and culture bind together the North African and Sub-Saharan regions, the meeting focused primarily on growth prospects for Sub-Saharan countries, over $\frac{3}{4}$ of which are in the “least developed” category. Participants stressed the heterogeneity of current conditions and medium-term prospects within the region. There was broad agreement that any assessment of overall prospects must place particular emphasis on the performance of the largest countries in the region, a group certainly including South Africa, Nigeria, Sudan, and the Democratic Republic of Congo, and also perhaps Kenya, Ethiopia, Cameroon, Cote d’Ivoire, Ghana and Uganda.²

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² The 10 countries listed here are those with real GDP exceeding 20 billion dollars at international prices and population exceeding 13 million in 1997. They are listed in declining order of real GDP in 1997. The first 4 accounted for 52 percent of Sub-Saharan GDP and 38 percent of Sub-Saharan population in 1995; the 10 together account for 69 percent of GDP and 63 percent of population.

5. Participants emphasized that while the theme of the meeting was admirably focused, growth is a legitimate target only because it is a necessary condition for achieving the more fundamental goals of poverty reduction and human development. Moreover, failure in these latter areas will itself constitute a barrier to growth, via a variety of poverty trap mechanisms. Enhancing the income-generating capabilities of the poor is therefore both a fundamental end in itself and a vital part of a strategy for the intermediate target of sustainable growth. African countries will not “embark on sustained growth in this decade,” in the phrase of the meeting, unless progress on human development is sufficient to establish the conditions for continued growth.

6. The group agreed to treat a sustainable per capita growth rate of 2.5 percent (virtually the non-SSA developing country median for 1960-99) as a benchmark for the discussion. Cutting poverty in half by 2015 will require growth at nearly twice this rate, but embarking on a sustained path of 2.5 percent or better would have a transforming effect on possibilities. The Sub-Saharan region surpassed this benchmark briefly in the late 1960s and early 1970s; and in the 1990s Botswana, Equatorial Guinea, Lesotho, Mauritius, Seychelles, Sudan and Uganda all grew at 2.5 percent or faster. Only Botswana and Mauritius, however, have consistently exceeded the benchmark. The South Asian region, with historical and structural similarities to much of SSA, grew roughly at the benchmark rate between 1960 and 1999—with the result that the ratio of South Asian to Sub-Saharan African real incomes nearly doubled over this period.

7. Participants recognized the dominant role of armed conflicts, which are currently creating serious disruptions for some 20 percent of Africa’s population. Resolving these conflicts is a prerequisite for sustained growth in the affected countries. This is obvious where states have virtually collapsed, as in the DRC, Sierra Leone, and Somalia; but there was wide agreement that exposure to armed conflict, whether directly or via cross-border spillovers, will remain a fundamental development issue for the entire region over the next decade. Participants noted the need for regionally-based approaches to conflict resolution, along with the need for external collaboration and, in some cases, intervention. They noted the important contribution of equitable growth to reducing the risk of conflict. But for practical purposes, most of the discussion focused on countries in which security conditions were such as to allow at least the possibility of sustained growth.

Section 2. Papers presented at the meeting

8. This section summarizes the four background papers that were presented in draft form on day 1; revised versions of these papers are underway at the time of writing.

9. Charles Soludo summarized the major themes of *Can Africa Claim the 21st Century?*, a collaborative project of the African Development Bank, African Economic Research Consortium, Global Coalition for Africa, United Nations Economic Commission for Africa, and the World Bank. He noted that slow capital accumulation and stagnant or deteriorating total factor productivity each contributed importantly to

Africa's slow growth through the mid-1990s. Reversing this situation requires that countries exploit the scope for mutually reinforcing gains in (a) governance and conflict resolution; (b) investment in human resources; (c) competitiveness and export diversification; and (d) creditworthiness and aid effectiveness. Success in these areas will unleash a cumulative process in which growth reduces poverty and poverty-reduction spurs growth.

10. In the area of competitiveness and export diversification, the *Africa 21st Century* report advocates an aggressive role for government in supporting private sector investment and exploiting the opportunities presented by globalization. Dr. Soludo argued that given the spatial dispersion of African populations, the landlocked status of many countries, the challenges of low agricultural productivity, and the public health challenges of tropical location and HIV/AIDS, the scope for productive government spending on infrastructure and public services is vast. The resource requirements are correspondingly daunting, and he emphasized the need to arrest rapidly declining foreign assistance levels and create more effective partnerships with donors.

11. In the ensuing discussion Dr. Soludo clarified that although the *Africa 21st Century* report was supervised and produced at the Bank, it is fully a joint product of the collaborating institutions. He cited the leading role of the GCA in the chapter on governance and conflict; his own involvement on behalf of AERC at all stages of the report; and tough bargaining between the Bank and its collaborators culminating in the report's cautious advocacy of selective intervention as a tool for improving competitiveness and diversifying exports.

12. The papers by Drs. Weeks and Guillaumont focused on the vulnerability of African economic growth to economic and political instability. Dr. Weeks began his presentation of "Growth Variability among and within African Countries: An Aspect of Unsustained Development" by noting that the inter-annual volatility in GDP growth is greater in Africa than in other regions. His regression analysis suggests the outlines of a poverty/instability trap: poorer economies are less stable, and instability reduces average growth. He noted the negative skew of African growth rates, with the implication that growth collapses appear to be worse for average growth than equivalent growth booms. Consistent with this implication, the ensuing discussion pointed to microeconomic evidence suggesting that negative shocks have longer-lasting effects on household welfare than positive shocks of equal magnitude: for example, adverse shocks may force the household to interrupt high-yielding investments in children's education or health, with partly irreversible effects.

13. Dr. Weeks found that economic volatility was high in SSA even after controlling for low incomes. He traced this in part to structural features, including the dominance of agriculture and the paucity of macroeconomic policy instruments for stabilizing the economy. He also gave responsibility to market-based reforms in Africa, arguing that these have been implemented in concert with a shrinkage of government institutions, on the erroneous assumption that well-functioning markets would emerge spontaneously. In the absence of effective regulation, he argued, markets can easily exacerbate economic

instability. This danger is particularly acute when markets are thin and incomplete. The ensuing discussion emphasized (a) that the manufacturing sector is as volatile as the agricultural sector in SSA, consistent with the view that investment in African manufacturing faces unusually high risks; (b) that a moderate amount of diversification of exports will typically reduce terms of trade volatility substantially, although the precise effect depends on the covariance between traditional and nontraditional commodity prices; (c) that armed conflict is a major source of volatility in SSA and one that poses first-order risks to neighboring countries; and (d) that further exploration is needed, including an examination of the evolution of volatility over time, to establish the contribution of market-based reforms to volatility.

14. Dr. Guillaumont motivated his paper “Are Policy Reform and Growth in Africa Sustainable?” by noting that although there have been numerous episodes of strong growth in SSA, these have rarely been sustained beyond a few years. The question of growth performance over this decade can therefore be restated as that of whether the improved growth rates of the mid-1990s will prove sustainable. Dr. Guillaumont pointed to a set of favorable long-run factors, including a revival of spending on education; substantial macroeconomic policy reforms, buttressed by learning from past mistakes; and political reforms that have enhanced civil liberties and begun to mobilize domestic restraints on predatory leaders. He took issue with recent research suggesting a powerfully negative role for ethnic fractionalization: he finds no indirect effect of fractionalization on growth via policy, and its direct effect on growth is powerfully reduced or even reversed when institutions provide for broad political participation.

15. His central point, however, was that African growth prospects remain highly vulnerable to exogenous external shocks—from commodity prices and climate—and political instability. These undermine growth not only directly but also indirectly, by undermining the sustainability of policy reforms. In the case of political instability, Dr. Guillaumont’s econometric evidence suggests a strong feedback from low growth to greater instability, creating the possibility of a low growth/high political instability/policy reversal trap.

16. Participants discussed the implications for aid donors of the emphasis on volatility in the Weeks and Guillaumont papers. Both papers attach a particular importance to avoiding temporary growth collapses, which under African conditions carry the risk of longer-lasting stagnation. Both emphasize the structural vulnerability of African economies and the urgency for donors of partnering with African countries to provide the public goods—security, transport infrastructure, agricultural research, efficient regulation, and public health and education services—that are critical to reducing this vulnerability over the medium term. Participants urged a balanced view of the well-known Burnside and Dollar results on aid effectiveness, which have been broadly interpreted as justifying dramatic reallocations in aid from countries with weak policy to countries with strong policy. First, these results have been shown to be non-robust to sample and specification, a perennial problem with nonlinear specifications. Second, policy measures are endogenous not only to shocks but also to structural vulnerability. While it is clear that donors have little scope for contributing to sustainable growth and

poverty reduction when governments themselves are not committed to these objectives, the operative question is what kind of assistance external donors can provide to governments coping with shocks that interact with structural vulnerabilities to pose intolerable policy tradeoffs and/or threaten political stability. Dr. Guillaumont drew on his own exploratory econometric work to suggest that directing aid to structurally vulnerable (small, non-diversified) countries may well provide greater effectiveness, in terms of growth, than directing it according to endogenous policy measures.

17. The problem of “ownership” cannot, of course, be avoided: how can aid be structured so as to support rather than undermine development-oriented policy? Dr. Guillaumont argued for an approach that would link budget or balance of payments support to jointly agreed development outcomes (literacy rates, growth rates, poverty rates) rather than to policies, while explicitly controlling for verifiable exogenous shocks. Ownership would be enhanced in two ways: first, through the use of participatory mechanisms to obtain wide agreement on priorities and targets; and second, through the greater latitude allowed to recipients in policy design.

18. Dr. Assié-Lumumba took an historical-structuralist approach in her paper “Growth, Poverty, and Resource Distribution.” Human development, she argued, must be a project of a country’s own people. But Africa’s economic fortunes have been conditioned for centuries by the continent’s encounter with the now-industrialized countries, an encounter most recently crystallized in the structural adjustment programs of the 1980s. This encounter has had the effect of removing development from the African agenda. Dr. Assié-Lumumba cited the structurally weak situation of most African countries at the outset of the current decade, emphasizing low literacy rates (particularly among females), severe public health challenges, and high external debt. Development prospects for the first decade of the 21st century depend on the deployment by African populations of daring and innovative approaches to the mutually reinforcing problems of dependence, poverty, and violence.

19. In a phrase evoked frequently in subsequent discussion, Dr. Assié-Lumumba pointed to “gems, greed, and guns” as factors that have converted Africa’s resource endowment—its people during the slave trade; its primary commodity endowments during colonialism and the post-independence period—from a development asset into a development liability. She warned of a continuing cycle of “subtle, latent, or overt violence” in the external exploitation of Africa’s resources. She identified a debt/stagnation trap as a continuing feature of the African economic environment, partly but inadequately addressed by the expanded HIPC Initiative. She advocated full debt cancellation as a way of coming to terms with the continuing influence of historical exploitation on the continent’s development prospects.

Section 3. Thematic discussions

20. This section summarizes thematic discussion on day 2 of the meeting, organized under the slightly revised headings of poverty and human resources, sectoral issues, and the enabling environment. Where points were adequately covered above, we do not

repeat them here. We close the section with the discussion of resource mobilization that took place at the outset of day 3.

21. Poverty and human resources To the degree that educational attainment, literacy, and health capital are critical inputs for sustained growth, the African situation at the outset of this decade is not encouraging. Education measures improved steadily over the post-independence period in much of the region; but in several countries they have stagnated for well over a decade, and overall they remain weak. This is particularly true for girls, where the microeconomic evidence suggests very high social returns, operating both directly via higher incomes, and indirectly over time, via reduced fertility rates and improved status of children. Rapidly increasing dependency ratios suggest, moreover, that the quality of education may have deteriorated substantially since the mid-1980s in some countries. Meanwhile HIV/AIDS has emerged as a profound shock to Africa's human resource base.

22. Widespread underemployment of existing human resources, in contrast, is a potential growth reserve. Dr. van der Hoeven argued that private formal sector employment has not increased to take up the slack created by contracting public sector employment. The urban informal sector has therefore expanded, and urban poverty has tended generally to increase, during structural adjustment. Professor Wangwe emphasized that although open unemployment is low in Tanzania (the formal sector constitutes only 8 percent of the labor force), underemployment is widespread, in the form of very low productivity activities in the urban informal sector. He argued that there was substantial potential for increasing the average productivity of urban labor, even over the next decade. This would require focused government efforts in the form of business development services (whether delivered by the public sector or via subsidies to private sector providers), credit initiatives, and other supports to small-scale entrepreneurs. He cited the "win-win" potential inherent in labor-intensive public works: using idle labor to construct roads and improve sewage systems contributes to growth both in the short term and over time.

23. Africa's HIV/AIDS epidemic has received limited attention in the scholarly literature on economic growth. Early work suggested that widespread underemployment lowers the opportunity cost in terms of GDP of labor lost to mortality or health care. But even from a narrow growth perspective, the inadequacies of this argument are clear. Underemployed resources can make a critical contribution to growth in the short to medium term. They therefore have a striking opportunity cost along any successful growth path. Moreover, infection patterns are concentrated among those of working age and imply a substantial loss among the educated. The magnitude of the HIV/AIDS crisis threatens to overwhelm any other single factor in Africa's growth prospects, with the exception of armed conflict. Effectively addressing this challenge will require massive support from donors.

24. Sectoral issues: agriculture Africa's people are employed mainly in the agricultural sector, and rural incomes remain below urban ones on average. Performance of the agricultural sector is therefore a key to sustained growth and poverty reduction,

both because of the size of the sector and because of its positive distributional feedbacks. Participants noted that while market-based reforms have generally moved relative prices in favor of agriculture, the growth response has been weak. Several agricultural exporters have faced chronic terms of trade deterioration. But discussion focused mainly on the constraints posed by inadequate provision of public inputs. Africa's land abundance increases the per capita cost of transport infrastructure, but the benefit side is clear: rural roads create markets. There was broad agreement that transport infrastructure in support of agricultural markets, both domestic and external, had very high potential returns, particularly in the context of market-based reforms. Africa's rivers are sparse, implying a leading role for road and rail transport; and national borders are many, implying that regionally-based approaches will be needed to overcome coordination failures in linking with regional and external markets. Participants noted that policy reforms and political liberalization have substantially widened the scope for regional cooperation since the late 1980s.

25. Over periods as short as a decade, the reallocation of factors of production that are initially underemployed can make a major contribution to economic growth. Dr. Soludo observed that most of Africa's land is pasture, potentially suited for cultivation but not currently utilized. He argued, citing Nigeria, that such land represents a growth reserve: with moderate government support in the form of land clearing and infrastructure provision, agricultural output could rise substantially. Dr. Weeks expressed some skepticism regarding the scope for rapid increases.

26. Long-run technological constraints to African agriculture are severe, in part because of the limited scope for irrigation and in part because of the ecological diversity of the continent. Participants agreed that current levels of agricultural research and development are much too low, due to tight budget constraints, free rider problems, and constraints on domestic technical capacity. Donor countries have a comparative advantage in financing of such activity and, in the case of basic research, in its provision.

27. Agribusiness was identified as a potential growth area and one that in many sectors is consistent with smallholder production. Participants emphasized the importance of a proactive government role in the identification and development of commercial opportunities. Particular attention should be paid to successes that have been achieved in Africa or elsewhere; in this respect, technical assistance from countries like Brazil, Malaysia or Chile is likely to be of greater value than technical assistance from industrial-country donors.

28. Transport, marketing, and downstream processing all involve scale economies. In small, unregulated markets these economies may go unrealized or may be achieved by private monopolies with adverse distributional and incentive effects for smallholder producers. The question of appropriate regulatory structure is therefore a critical one, not only in terms of static efficiency but also in terms of distribution and growth. Some collective services, like export marketing and quality control, may best be provided by government institutions. Processing and transport may require relatively little regulation when private markets are well-developed, but liberalization of agricultural trade and

investment in transport infrastructure will widen markets only gradually. A number of participants stressed that structural adjustment had liberalized agricultural markets without providing an adequate regulatory structure.

29. Sectoral issues: minerals and petroleum Throughout the meeting, participants stressed that in the absence of security, transport networks, reasonably defined usage rights, and non-extortionary taxation, markets will remain localized and segmented, and sustainable growth will not occur. But mineral extraction can flourish in such an environment, and Africa has always been host to foreign direct investment in oil, diamonds, gold, copper, and other extractive industries. The achievements of Botswana suggest the powerful growth potential inherent in mineral wealth. But much of the rest of the continent has suffered from the nexus of “gems, greed, and guns” identified by Dr. Assié-Lumumba. While remaining highly profitable for foreign interests, mineral wealth has undermined export competitiveness in agriculture and manufacturing, has widened domestic income inequalities, and in the context of non-participatory, winner-take-all politics, has contributed to the polarization and militarization of political life in African countries.

30. Participants agreed that while mineral wealth continues to offer extraordinary growth potential in a number of African countries, this potential is contingent, first, on the establishment of effective state control over property rights in minerals (this does not require that the state hold these rights, but that it be the effective enforcer of them); second, on the maintenance of political stability; and third, on a development strategy that deploys government revenues in the interests of broad human development. From this perspective, participants anticipate a high cross-country variability in medium-term outcomes for mineral-rich economies.

31. Creating an enabling environment Policy reforms intended to expand the role of markets and private enterprise have been underway in Sub-Saharan Africa since the early 1980s. The initial phase was dominated by exchange rate unification, trade liberalization, and the liberalization of agricultural markets. By the late 1980s, reforms had entered deeper institutional territory to include financial liberalization, the privatization of state enterprises, and public sector reform. Starting in 1988, this process converged with a wave of democratization, itself precipitated by the hardships of structural adjustment and spurred on by the collapse of the Soviet Union and the end of the Cold War.

32. The reforms of the past decade have considerably narrowed the scope of direct state involvement in production and distribution, and in that important sense have widened the space for productive private investment. But achieving the 2.5 percent benchmark on a sustainable basis will require significantly higher rates of investment than are currently being observed. Participants emphasized three interpretations of slow investment response. The first is that economic and political reforms themselves create uncertainty about the subsequent evolution of macroeconomic and sectoral policy, and this uncertainty can itself undermine the short-run supply response. This creates a powerful premium on policy continuity and therefore, given the linkages discussed

earlier, on devising mechanisms for reducing the vulnerability of countries to exogenous shocks.

33. Second, the expansion of domestic entrepreneurship into new activities and markets must become a priority of the highest levels of government. Such support is required to overcome the legacy of bureaucratic indifference or outright hostility that continues to place a heavy burden on private domestic entrepreneurship. Finally, participants noted the continuing suspicion with which external donors view the African state, outside of a narrow and shifting group of “winners” whose economic performance receives a temporary seal of approval. Outside of this favored group, structural adjustment takes a greater toll in reduced spending and in the dismantling of weak public institutions. Market reforms can then fail not because they have not been implemented, but because the institutions essential to a well-functioning market economy are absent.

34. Returning to earlier themes of structural vulnerability and urban underemployment, participants noted the potential contribution of a growing manufacturing sector to economic diversification and sustainable labor absorption. Improved education, a stable political climate, reliable provision of public services, and a strengthening of supportive public institutions are key requirements for higher domestic and foreign investment in this sector.

35. Resource mobilization Surpassing the benchmark growth rate will require substantial increases in domestic investment, and this, in turn, will require increases in both domestic saving and foreign finance. The discussion of domestic saving highlighted the fiscal contribution of mineral rents and the substantial revenue potential inherent in VATs. Participants noted the critical importance of small savers. Following earlier discussions of underutilized land and underemployed urban labor, the stock of flight capital (both physical and human) was identified as a third major potential growth reserve. Participants discussed the example of Uganda, where private transfers (being reverse capital flight) now represent one of the largest sources of foreign exchange earning. Some expressed caution as to the generalizability of the Ugandan example; but there was broad agreement that until the repatriation of domestically-owned foreign assets gets underway, foreign direct investment is likely to remain small and largely confined to the mining sector. Participants noted the very adverse effect HIV/AIDS is likely to exert on public and private saving and on the health and education status of children.

36. Official flows will continue to dominate external finance for most African countries over the next decade. Yet net ODA is falling very rapidly: the median value of real net ODA per capita to African countries declined by 40 percent in the 1990s. While the Expanded HIPC Initiative provides substantial relief relative to scheduled debt obligations, the declining trend in official flows suggests that concerns about the additionality of HIPC relief are genuine. Net external financing will increase relative to a reasonable counterfactual only if HIPC relief crowds in private finance and donors avoid using HIPC relief as an opportunity to scale back new grant commitments.

Section 4. Conclusions

37. At the final session, participants returned with some concreteness to the question of whether African countries will embark on sustainable growth in this decade. The discussion turned on five key points.

--First, history matters and is not encouraging. As demonstrated in Appendix Tables A1 and A2, simple extrapolation leaves little room for optimism. If historical norms prevail, only a small proportion of African countries will surpass the 2.5 percent benchmark. Moreover, Africa's large countries will not, and for this reason population-weighted or GDP-weighted averages that represent "the region" will under-perform simple averages.

--Second, however, history need not be destiny. The discussion identified key growth bottlenecks that are amenable to public infrastructure investment, particularly in rural transport, agricultural research, and public health. It identified key growth reserves, in underutilized land, underemployed urban labor, and large stocks of flight capital, both financial and human.

--Third, the end of the Cold War, the advance of political freedoms, and the cumulative effect of market-based economic reforms have placed the continent at a new historical juncture, creating a fundamental window of opportunity for growth. Countries will succeed whose political leaders seize the opportunity to make development the central, urgent, and shared agenda of the public and private sectors and of external donors. Strengthened public institutions will play a key role in facilitating market access and private sector investment in high-growth countries.

--Fourth, security issues and HIV/AIDS represent new threats to growth that are regional in scope and at least as acute as the political and economic shocks that derailed African growth starting in the mid 1970s. Regionally-based solutions to these problems are urgently needed, as well as to the problem of transport infrastructure on a continent crossed by numerous national boundaries. Economic and political reforms have created a new scope for regionalism on the continent and therefore a major new set of opportunities for governments and external donors.

--Fifth, African growth prospects are fragile and particularly vulnerable to short-term collapses associated with external shocks or political instability. As governments and donors take the long view with respect to infrastructure and human development, they must also focus on mechanisms that reduce the structural vulnerability of African economies and that prevent the propagation of short-term crises into longer-term stagnation.

38. The prospects for an average growth rate above the benchmark of 2.5 percent appear very slim. Although global growth prospects are generally thought to be quite strong (see Appendix 2), the challenges of political instability, HIV/AIDS, declining foreign assistance, and weak infrastructure, and ecological constraints seem likely to limit Africa's near-term growth to below 2 percent. But performance will be highly variegated, as it was in the 1990s.

39. In the course of discussion, participants developed the 5-way country taxonomy outlined immediately below, and used it to explore the range of possibilities for the region as a whole. Each of 40 countries was briefly discussed and placed by a provisional consensus into one of the 5 categories. Table 1 summarizes the results of this judgmental exercise.

Long-term successes: A small number of (small) countries were generally viewed as in a position to continue their long-run performance at or above the 2.5 percent benchmark.

New successes: A larger set of countries showed clear improvement over the 1990s and were generally viewed as have the potential to continue this, perhaps even exceeding the 2.5 percent benchmark in the current decade.

High variance countries: An important group of countries were generally thought to have substantial growth potential but to be subject to substantial political instability. Average growth in this group was expected to be roughly midway between zero and 2.5 percent, but with some impressive successes.

Adverse growth prospects: This group has had chronically low growth and is not expected to grow at much above zero on average.

Conflict countries: Growth prospects for these countries are poor and heavily contingent on the evolution of armed conflict. Limiting the scope of conflict could raise growth to zero on average; resolving conflict could in some cases allow substantial post-conflict growth.

40. The implication of Table 1 is clear. In the view of this expert group, political instability, structural constraints and vulnerability, and armed conflict pose very substantial risks to African growth over the current decade. The countries affected by these concerns loom large in the African landscape. Barring the resolution of existing conflicts, the smooth implementation of political succession in the high variance countries, and concerted action by governments and donors alike to remove structural obstacles to growth in the near term, even a reasonably strong environment for world growth is unlikely to deliver adequate growth for the bulk of the Sub-Saharan region.

41. Participants noted the central importance of growth performance in the high variance and conflict countries. A 1-percent increase in projected growth for these two groups would raise regional growth (GDP weighted) by $\frac{3}{4}$ of a percentage point and generate a modest improvement in projected growth for the remaining groups. The total effect would be to bring projected regional growth close to the 2.5 percent benchmark. By symmetry, however, a 1-percent reduction in projected growth for these groups would reduce projected region-wide growth nearly to zero.

Table 1. SSA: A taxonomy of country growth prospects for 2000-2010

Category	<i>n</i>	<i>g</i>	Average population, millions	Average real GDP, \$billions	Group weights (%)		
					numerical	1995 population	1995 real GDP
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Long-term successes	5	3.5	1.1	5.5	12.5	1.0	3.1
New successes	10	2.5	16.9	12.9	25.0	29.5	14.8
High variance countries	8	1.5	29.3	62.7	20.0	40.8	57.4
Adverse growth prospects	7	0.5	6.6	7.3	17.5	8.0	5.8
Conflict countries	10	-1.0	11.9	16.5	25.0	20.7	18.8
TOTAL	40		14.3	21.8	100.0	100.0	100.0
Projected SSA growth:							
simple average		1.20					
population weights		1.22					
GDP weights		1.18					

Notes: *n* is the number of countries in the category (4 countries were not categorized). In column (2), *g* is the assumed average per capita growth rate for the categories. Population and GDP weights in columns (6) and (7) are calculated relative to the full set of 40 categorized countries. Projected SSA growth is calculated as a weighted average of *g*, using weights in column (5) for simple average, (6) for the population-weighted average, and (7) for the GDP-weighted average.

Sources: Population and real GDP at international prices from the World Bank's GDN database.

APPENDIX 1: African growth, 1960-99

Table A1. Average growth rates in real GDP per capita by region and period.

Region	# ctrys	1960-99	1960-73	1974-89	1990-99	1990-94	1995-99
A. All available observations							
Africa	50	1.0	2.0	0.9	0.4	-1.0	1.7
SSA	46	0.9	1.9	0.7	0.3	-1.1	1.6
Big 10	10	0.4	1.8	-0.1	-0.1	-1.8	1.5
Other SSA	36	1.0	2.0	0.9	0.4	-1.0	1.7
North Africa	4	2.4	3.0	2.7	1.4	0.6	2.1
Other developing	84	2.2	3.5	1.7	1.9	2.3	1.5
B. Countries with full availability							
Africa	32	1.0	2.1	0.9	-0.1	-1.4	1.2
SSA	29	0.9	2.0	0.7	-0.3	-1.6	1.0
Big 10	8	0.3	1.8	-0.2	-0.8	-2.5	0.9
Other SSA	21	1.1	2.0	1.0	-0.1	-1.2	1.1
North Africa	3	2.5	3.0	2.7	1.6	0.4	2.8
Other developing	43	2.4	3.5	1.8	2.1	2.6	1.6

Notes: Data are unweighted averages across country observations and years. *In part A, country composition changes period by period.

Source: Growth rates of GDP per capita in constant local currency units, 1961-97, from the World Bank's Global Development Network database. This series is extended to 1998 using World Development Indicators 2000 data. 1999 values are calculated by combining the IMF's projected real GDP growth (World Economic Outlook 2000) with a population extrapolation based on World Development Indicators 2000 data.

Table A2. Sub-Saharan Africa: Completed 10-year spells of average growth at 2.5 percent or higher.

Country	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	
Angola																										0	0	0	0	
Burundi	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Benin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Burkina Faso	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Botswana	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Central African Republic	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cote d'Ivoire	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cameroon	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0
Congo, Rep.	0	0	0	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0
Comoros																					0	0	0	0	0	0	0	0	0	
Cape Verde																						1	1	1	0	0	0	0	0	
Ethiopia																						0	0	0	0	0	0	0	0	
Gabon	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ghana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Guinea																											0	0	0	
Gambia, The								0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Guinea-Bissau											0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
Equatorial Guinea																										0	1	1	1	
Kenya	0	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lesotho	1	1	0	1	1	0	1	1	1	1	1	1	1	0	0	1	0	0	0	0	0	0	0	0	1	1	1	1	1	1
Madagascar	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

...continued next page.

Table A2 (cont'd). Sub-Saharan Africa: Completed 10-year spells of average growth at 2.5 percent or higher.

Country	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	
Mali								1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Mozambique																					0	0	0	0	1	1	1	1	1	
Mauritania	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Mauritius	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	
Malawi	0	1	1	1	1	1	1	0	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Namibia																					0	0	0	0	0	0	0	0	0	
Niger	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Nigeria	0	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Reunion																														
Rwanda	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sudan	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	
Senegal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sierra Leone	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sao Tome and Principe																													0	
Swaziland											1	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	0	0	
Seychelles	0	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	0	1	0	0	1	1	1	1	1	1	1	1	1	
Chad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	1	0	0	1	0	
Togo	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tanzania																													0	
Uganda																							0	0	0	0	1	1	1	1
South Africa	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Congo, Dem. Rep.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Zambia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Zimbabwe	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

Notes: The table summarizes 10-year backward moving averages of growth in real GDP per capita. Blank cells indicate missing data. Values of 0 indicate that the moving average was less than 2.5 percent. Values of 1 appear in bold and indicate completed 10-year spells of average growth of 2.5 percent or higher. Data problems prevented computing 10-year averages for Djibouti, Eritrea, Liberia, Mayotte, Reunion, and Somalia.

Source: World Bank data for 1960-1998; IMF GDP growth projections for 1999, adjusted by extrapolated population growth.

APPENDIX 2: Selected projections of African economic growth.

1. Tables A3 – A5 summarize three existing projections of African economic growth. Table A3 shows projections derived from the OECD Development Centre's *Emerging Africa* project. This project carried out individual long-run simulations for Burkina Faso, Cote d'Ivoire, Ghana, Mali, Tanzania, and Uganda, six countries with reasonably strong performance in the 1990s. Simulations are based on cross-country econometric estimates of an investment function and a function for total factor productivity growth, each as functions of exogenous shocks, structural variables, policy variables, and foreign aid. Projections for the latter variables yield simulated values for investment and TFP growth. Using an aggregate production function, these are combined with projections for human capital accumulation, growth in imports, and labor transfers out of agriculture to obtain the simulated path of growth over time. The simulations assume political stability, no terms of trade shocks, and continued good macroeconomic policy. The high growth case assumes more rapid structural change and higher aid.

2. Table A4 shows (pre-meeting, provisional) medium-term forecasts for real GDP growth (not real GDP per capita) from Project Link. This baseline forecast embodies stronger growth for the world economy over the current decade than in the 1980s and 1990s, with information-technology-related productivity gains playing a key role, with exports continuing to grow significantly faster than output, and with China and India each making a substantial contribution to strong growth among developing countries. Growth is nonetheless expected to be somewhat weaker over this decade than in the 1960s. Oil prices represent the key downside risk to the short-term forecast for global growth. Sub-Saharan Africa's growth for 2001 is reduced by almost a full percentage point relative to the April 2000 forecast, due to "adverse weather conditions, falling prices of some agricultural commodities, and war and political strife" (p. 5). The report attributes rising unemployment in a number of African countries to low public and private investment and the failure of the private sector to absorb labor shed in the process of civil service retrenchment. *Allowing for population growth of roughly 2.5 percent, the "cautiously optimistic" forecast for Africa implies per capita growth of slightly below 2 percent over the 1999-2002 period.* This is based on assumptions of "continued implementation of economic reforms, firmer prices of non-oil commodities, softened but stable oil prices, and easier external financing conditions with increases of both private and official capital flows" (p. 8).

2. Table A5 shows the IMF's baseline medium-term forecast from the December 2000 *World Economic Outlook*. The projections for world growth and for Sub-Saharan Africa over the 2001-2005 period are slightly more optimistic than the short-term Project Link forecast. For the first half of the current decade, Africa's weighted GDP growth is projected to more than double relative to the 1990s. *This implies per capita growth that is slightly below the benchmark of 2.5 percent, but above 2 percent.*

Table A3. Emerging Africa: simulated per capita GDP growth rates for 6 African countries.

	<i>Actual growth*</i>			<i>Simulated growth**</i>	
	1960-89	1990-94	1995-99	2000 to 2010	2000 to 2020
Baseline assumptions	0.7	-0.1	2.5	2.1	2.3
High growth assumptions	0.7	-0.1	2.5	3.0	3.1

Notes: *Data for Mali, Tanzania and Uganda begin in 1968, 1989 and 1982, respectively. **Figures give unweighted averages of simulated annual growth rates for Burkina Faso, Cote d'Ivoire, Ghana, Mali, Tanzania, and Uganda. All simulations assume political stability, no terms of trade shocks, and continued good macroeconomic policy.

Source: Calculated from Berthelemy & Söderling 2000, *Emerging Africa: Synthesis*.

Table A4. Project Link: projected real GDP growth rates.

Region	<i>Actual</i>	<i>Projected</i>		
	1999	2000	2001	2002
World , of which:	2.8	4.1	3.6	3.6
Developed market economies	2.6	3.7	3.1	3.0
Developing countries, of which:	3.6	5.6	5.5	5.7
Africa	3.0	3.6	4.1	4.8
Sub-Saharan Africa (excl. South Africa)	3.2	4.5	3.8	4.9
South Africa	1.4	2.2	2.9	3.4
North Africa	4.1	4.1	5.9	5.4

Notes: Figures give GDP-weighted averages of projected growth rates.

Source: UN Department of Economic and Social Affairs, *Global Economic Outlook (preliminary draft)*, Project LINK Meeting, Oslo, Norway, 2-6 October 2000.

Table A5. WEO: Actual and projected growth in real GDP.

Region	<i>Actual</i>		<i>Projected</i>	
	1982-89	1990-97	1998-2001	2001-2005
World	3.6	3.0	3.7	4.3
Advanced	3.4	2.5	3.2	3.0
Developing	4.3	5.8	4.6	5.9
Africa	2.5	2.0	3.3	5.0
Transition	3.1	-5.1	2.6	4.8

Notes: Figures refer to growth in real GDP, not real GDP per capita. Regional averages are GDP-weighted.

Source: IMF, *World Economic Outlook*, December 2000, World medium-term baseline scenario (Table 45).

Provisional Agenda for the Expert Group Meeting on
Will Africa embark on a sustained growth path during this decade?
United Nations, New York, 21-23 February 2001

1. Adoption of the agenda and organization of work.
2. Growth, poverty and income distribution.
 - (a) Poverty alleviation and income distribution
 - (b) Social constraints
 - (c) Other obstacles (political strife, natural disasters, etc.)
3. Dependency on primary commodity exports: agriculture, diversification and market access.
 - (a) Agriculture
 - (b) Mineral sector
 - (c) Other sectors (fisheries, silviculture, etc.)
4. Creation of enabling environment for private sector.
 - (a) Economic policies
 - (b) Institutional and legal framework
 - (c) Physical infrastructure
5. Discussion and adoption of the report of the Expert Group Meeting.